

**HAMPTON-DUMONT  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2005 Election)

John Showalter	President	2005
Teresa Peterson	Vice President	2007
Scott Sackville		2007
David Hannah		2005
Verla Pecha		2006
Kristin Wraage		2007
Ryan Winters		2006

(After September, 2005 Election)

John Showalter	President	2008
Teresa Peterson	Vice President	2007
Scott Sackville		2007
Ron Raney		2008
Verla Pecha		2006
Kristin Wraage		2007
Ryan Winters		2006

**SCHOOL OFFICIALS**

Lee Morrison	Superintendent
Lisa Lewis	District Secretary/ Treasurer

## **Independent Auditor's Report**

To the Board of Education of the  
Hampton-Dumont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Hampton-Dumont Community School District, Hampton, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Hampton-Dumont Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated November 2, 2006 on our consideration of Hampton-Dumont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hampton-Dumont Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

November 2, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Hampton-Dumont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,981,158 in fiscal year 2005 to \$9,508,936 in fiscal year 2006, while General Fund expenditures increased from \$8,459,574 in fiscal year 2005 to \$9,838,675 in fiscal year 2006.
- The increase in General Fund revenues was primarily attributable to increased Federal Grant activity. The increase in expenditures was primarily due to salary increases.
- The District continues construction of a new middle school slated for occupancy in January 2007.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide Financial Statements consist of Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hampton-Dumont Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hampton-Dumont Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hampton-Dumont Community School District acts solely as agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Hampton-Dumont Community School District**

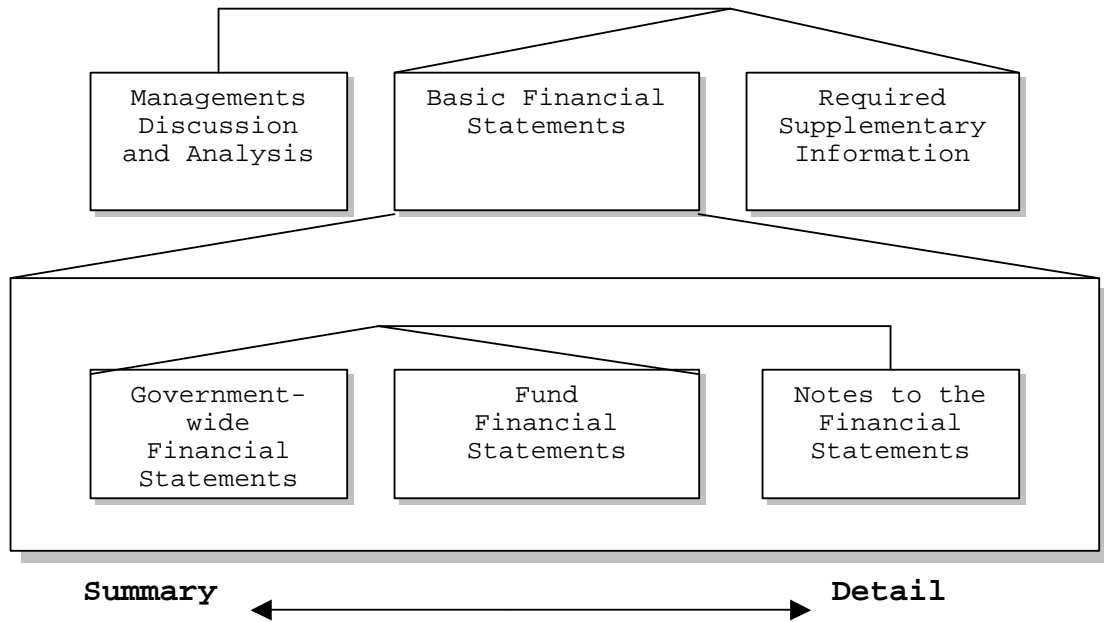


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b>				
<b>Major Features of the Government-wide and Fund Financial Statements</b>				
	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's program.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Fund.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.
- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations for specific purpose in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets  
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total School District		Percentage Change
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Current assets	12,459	16,510	140	113	12,599	16,623	-24.21%
Capital assets	10,448	4,621	30	17	10,478	4,638	125.92%
<b>Total assets</b>	<u>22,907</u>	<u>21,131</u>	<u>170</u>	<u>130</u>	<u>23,077</u>	<u>21,261</u>	<u>8.54%</u>
Current liabilities	9,169	7,620	-	-	9,169	7,620	20.33%
Non-current liabilities	9,894	10,310	-	-	9,894	10,310	-4.03%
<b>Total liabilities</b>	<u>19,063</u>	<u>17,930</u>	<u>-</u>	<u>-</u>	<u>19,063</u>	<u>17,930</u>	<u>6.32%</u>
Net Assets							
Invested in capital assets, net of related debt	612	2,182	30	17	642	2,199	-70.80%
Restricted	3,633	884	-	-	3,633	884	310.97%
Unrestricted	(401)	135	140	113	(261)	248	-205.00%
<b>Total net assets</b>	<u>3,844</u>	<u>3,201</u>	<u>170</u>	<u>130</u>	<u>4,014</u>	<u>3,331</u>	<u>20.50%</u>

The District's combined net assets increased by over 21%, or approximately \$670,000 over the prior year. This was primarily due to an increase in the Capital Projects Fund and capital asset purchases.

Unrestricted net assets - the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$509,000. This decrease in unrestricted net assets was a result of increased General Fund spending, primarily on payroll.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2006 and 2005.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total School District</b>		<b>Total Change</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2005-06</b>
	\$	\$	\$	\$	\$	\$	%
Revenues:							
Program revenues:							
Charges for service and sales	287	298	195	76	482	374	28.88%
Operating grants, contributions and restricted interest	1,503	1,292	263	57	1,766	1,349	30.91%
Capital grants	200	586					
General revenues:							
Property and income surtaxes	4,242	3,420	-	-	4,242	3,420	24.04%
Income surtax	80	137			80	137	-41.61%
Local option sales tax	569	643	-	-	569	643	-11.51%
Unrestricted state grants	4,659	4,466	-	-	4,659	4,466	4.32%
Unrestricted investment earnings	26	22	-	-	26	22	18.18%
Other	(15)	79	-	-	(15)	79	-118.99%
Total revenues	<u>11,551</u>	<u>10,943</u>	<u>458</u>	<u>133</u>	<u>11,809</u>	<u>10,490</u>	<u>12.57%</u>
Program expenses:							
Governmental activities:							
Instruction	7,159	5,880	-	-	7,159	5,880	21.75%
Support Services	2,665	2,693	-	-	2,665	2,693	-1.04%
Non-instructional programs	-	-	418	127	418	127	229.13%
Other expenses	<u>1,085</u>	<u>1,562</u>	<u>-</u>	<u>-</u>	<u>1,085</u>	<u>1,562</u>	<u>-30.54%</u>
Total expenses	<u>10,909</u>	<u>10,135</u>	<u>418</u>	<u>127</u>	<u>11,327</u>	<u>10,262</u>	<u>10.38%</u>
Change in net assets	<u>642</u>	<u>808</u>	<u>40</u>	<u>6</u>	<u>482</u>	<u>228</u>	<u>111.40%</u>

Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

#### **Governmental Activities**

Revenues for governmental activities were \$11,551,713 and expenses were \$10,909,363.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
(expressed in thousands)

	Total Cost of Services		Net Change	Net Cost of Services		Net Change
	2006	2005	2005-06	2006	2005	2005-06
	\$	\$		\$	\$	
Instruction	7,159	5,880	21.75%	5,819	4,644	25.30%
Support Services	2,665	2,693	-1.04%	2,649	2,691	-1.56%
Other expenses	<u>1,085</u>	<u>1,562</u>	<u>-30.54%</u>	<u>452</u>	<u>624</u>	<u>-27.56%</u>
Totals	<u>10,909</u>	<u>10,135</u>	<u>7.64%</u>	<u>8,920</u>	<u>7,959</u>	<u>12.07%</u>

- The cost financed by users of the District's programs was \$287,136.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$764,735.
- The net cost of governmental activities was financed with \$4,242,196 in property and other taxes and \$4,658,976 in unrestricted state grants.

#### **Business Type Activities**

Revenues for business type activities were \$458,092 and expenses were \$418,265. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

#### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Hampton-Dumont Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,843,938, a twenty percent increase over last year's ending fund balances of \$3,201,588.

#### **Governmental Fund Highlights**

- The District's General Fund financial position decreased during the past year. Allowable growth of 4% is inadequate to afford regular salary increases as well as increased costs for other items.
- Franklin County instituted the 1% school infrastructure local option sales tax. The District started collecting these monies in March, 2004. These monies are being used for infrastructure projects and/or debt reduction.
- The District is in the process of constructing a new middle school.

#### **Proprietary Fund Highlights**

The School Nutrition Fund balance increased approximately \$40,000 during the fiscal year ending June 30, 2006. This was a result of good participation and careful monitoring of expenses.

## BUDGETARY HIGHLIGHTS

The District's receipts were \$808,000 higher than budgeted receipts. This variance resulted from the District receiving larger than expected miscellaneous revenue and federal revenues.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested over \$10.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year was \$199,931.

The original cost of the District's capital assets was \$13,440,342. Governmental funds account for \$13,308,610, with the remainder of \$59,732 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements progress category. The District spent over \$6,000,000 on improvements and additions to buildings and sites during the year, primarily the new middle school building.

**Figure A-6**  
**Condensed Statement of Net Assets**  
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Land	209	96	-	-	209	96	117.71%
Construction in progress	5,859	-	-	-	5,859	-	100.00%
Buildings	3,942	4,057	-	-	3,942	4,057	-2.83%
Furniture and equipment	438	468	30	19	468	487	-3.90%
Totals	<u>10,448</u>	<u>4,621</u>	<u>30</u>	<u>19</u>	<u>10,478</u>	<u>4,640</u>	<u>125.82%</u>

## Long-term Debt

The District has \$7,785,000 of general obligation bonds outstanding at the end of the current fiscal year.

The District has outstanding revenue bonds of \$1,920,000 for additions/renovations to the elementary buildings. Capital loan notes of \$130,000 remain outstanding and will be fully retired in fiscal year 2007.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(expressed in thousands)**

	<b>Total</b>		<b>Total</b>
	<b>District</b>		<b>Change</b>
	<b>June 30,</b>		<b>June 30,</b>
	<b>2006</b>	<b>2005</b>	<b>2005-2006</b>
	\$	\$	
Capital loan notes	130	255	-49.02%
Contract payable	1	2	-50.00%
General obligation bonds	7,785	7,950	-2.08%
Revenue bonds	<u>1,920</u>	<u>2,050</u>	<u>-6.34%</u>
Total	<u>9,836</u>	<u>10,257</u>	<u>-4.10%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- The SILO tax was passed in 2003 and money began to be received by the District in March of 2004. These funds are being used for debt reduction resulting in property tax relief for the taxpayers.
- The District's health insurance costs continue to increase. Control of these costs is necessary to maintain a stable fund balance.
- Allowable growth of 4% is inadequate for the District to adequately maintain all of its educational programs, let alone expand offerings.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Lewis, District Secretary/Treasurer, Hampton-Dumont Community School District, PO Box 336, Hampton, Iowa 50441.

## Basic Financial Statements

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	4,742,451	132,245	4,874,696
ISCAP investments	2,900,496	-	2,900,496
Receivables:			
Property tax:			
Current year	59,928	-	59,928
Succeeding year	4,452,006	-	4,452,006
Income surtax	66,929	-	66,929
Due from other governments	208,975	-	208,975
ISCAP accrued interest	26,824	-	26,824
Other receivables	1,148	-	1,148
Inventories	-	7,532	7,532
Capital assets, net of accumulated depreciation (note 3)	10,447,770	30,253	10,478,023
<b>Total assets</b>	<b>22,906,527</b>	<b>170,030</b>	<b>23,076,557</b>
<b>Liabilities</b>			
Accounts payable	640,280	-	640,280
Accrued salary and benefits	820,679	-	820,679
Accrued interest payable	40,200	-	40,200
Retainage payable	271,364	-	271,364
ISCAP warrants payable	2,898,000	-	2,898,000
ISCAP accrued interest payable	46,163	-	46,163
Deferred revenue:			
Succeeding year property tax	4,452,006	-	4,452,006
Long term liabilities:			
Portion due within one year:			
Early retirement	37,225	-	37,225
Revenue bonds payable	130,000	-	130,000
Contract payable	891	-	891
Capital loan notes payable	195,000	-	195,000
General obligation bonds payable	295,000	-	295,000
Portion due after one year:			
Early retirement	20,781	-	20,781
Revenue bonds payable	1,725,000	-	1,725,000
General obligation bonds payable	7,490,000	-	7,490,000
<b>Total liabilities</b>	<b>19,062,589</b>	<b>-</b>	<b>19,062,589</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	611,879	30,253	642,132
Restricted for:			
Management levy	50,633	-	50,633
Capital projects	3,577,519	-	3,577,519
Debt service	5,123	-	5,123
Unrestricted	(401,216)	139,777	(261,439)
<b>Total net assets</b>	<b>3,843,938</b>	<b>170,030</b>	<b>4,013,968</b>

See notes to financial statements.



## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2006

	Program Revenues						Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
	\$	\$	\$	\$	\$	\$	\$
<b><u>Functions/Programs</u></b>							
Governmental activities:							
Instruction:	7,159,674	280,604	1,060,365	-	(5,818,705)	-	(5,818,705)
Support services:							
Student services	276,580	-	-	-	(276,580)	-	(276,580)
Instructional staff services	554,673	-	-	-	(554,673)	-	(554,673)
Administration services	840,642	-	-	-	(840,642)	-	(840,642)
Operation and maintenance of plant services	608,120	-	9,135	-	(598,985)	-	(598,985)
Transportation services	384,861	6,532	-	-	(378,329)	-	(378,329)
	2,664,876	6,532	9,135	-	(2,649,209)	-	(2,649,209)
Other expenditures:							
Interest on long-term debt	488,247	-	6,043	-	(482,204)	-	(482,204)
Facilities acquisition and construction	102,952	-	60,851	200,000	157,899	-	157,899
AEA flowthrough	366,219	-	366,219	-	-	-	-
Depreciation (unallocated)*	127,395	-	-	-	(127,395)	-	(127,395)
	1,084,813	-	433,113	200,000	(451,700)	-	(451,700)
Total governmental activities	10,909,363	287,136	1,502,613	200,000	(8,919,614)	-	(8,919,614)

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues				Governmental Activities	Business Type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest			
	\$	\$	\$	\$	\$	\$	\$
Business type activities:							
Non-instructional programs:							
Nutrition services	418,265	194,667	263,425	-	-	39,827	39,827
Total	11,327,628	481,803	1,766,038	200,000	(8,919,614)	39,827	(8,879,787)
General revenues:							
Property tax levied for:							
General purposes					3,235,432	-	3,235,432
Management fund					165,144	-	165,144
Capital outlay					262,347	-	262,347
Debt service					579,273	-	579,273
Income surtax					80,125	-	80,125
Local option sales tax					569,314	-	569,314
Unrestricted state grants					4,658,976	-	4,658,976
Unrestricted investment earnings					26,094	-	26,094
Remaining basis on disposed fixed assets					(104,668)	-	(104,668)
Other					89,927	-	89,927
Total general revenue					9,561,964	-	9,561,964
Change in net assets					642,350	39,827	682,177
Net assets beginning of year, as restated (note 13)					3,201,588	130,203	3,331,791
Net assets end of year					3,843,938	170,030	4,013,968

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	446,953	-	4,188,961	93,914	4,729,828
ISCAP investments	2,900,496	-	-	-	2,900,496
Receivables:					
Property tax:					
Current year	46,200	7,860	-	5,868	59,928
Succeeding year	3,283,943	600,395	-	567,668	4,452,006
Income surtax	66,929	-	-	-	66,929
Due from other governments	66,402	-	142,573	-	208,975
ISCAP accrued interest	26,824	-	-	-	26,824
Other receivables	-	-	-	1,148	1,148
<b>Total assets</b>	<u>6,837,747</u>	<u>608,255</u>	<u>4,331,534</u>	<u>668,598</u>	<u>12,446,134</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	120,665	2,737	482,651	34,227	640,280
Accrued salary and benefits	650,413	-	-	-	650,413
Retainage payable	-	-	271,364	-	271,364
ISCAP warrants payable	2,898,000	-	-	-	2,898,000
ISCAP accrued interest payable	46,163	-	-	-	46,163
Deferred revenue:					
Succeeding year property tax	3,283,943	600,395	-	567,668	4,452,006
Income surtax	66,929	-	-	-	66,929
Total liabilities	<u>7,066,113</u>	<u>603,132</u>	<u>754,015</u>	<u>601,895</u>	<u>9,025,155</u>
Fund balances:					
Reserved for capital projects	-	-	3,577,519	-	3,577,519
Reserved for debt service	-	5,123	-	-	5,123
Unreserved fund balance	(228,366)	-	-	66,703	(161,663)
Total fund balances	<u>(228,366)</u>	<u>5,123</u>	<u>3,577,519</u>	<u>66,703</u>	<u>3,420,979</u>
<b>Total liabilities and fund balances</b>	<u>6,837,747</u>	<u>608,255</u>	<u>4,331,534</u>	<u>668,598</u>	<u>12,446,134</u>

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2006

<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>\$ 3,420,979</b>
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	66,929
Internal Service fund assets that are to be included with governmental funds.	(157,643)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,447,770
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(40,200)
Long-term liabilities, including bonds payable and early retirement payments are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds	<u>(9,893,897)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 3,843,938</u></b>

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,315,849	579,273	569,314	427,491	4,891,927
Tuition	280,604	-	-	-	280,604
Other	122,553	6,043	60,851	304,765	494,212
State sources	5,450,579	-	-	-	5,450,579
Federal sources	339,351	-	200,000	-	539,351
Total revenues	<u>9,508,936</u>	<u>585,316</u>	<u>830,165</u>	<u>732,256</u>	<u>11,656,673</u>
Expenditures:					
Instruction:	<u>6,639,092</u>	<u>-</u>	<u>-</u>	<u>358,316</u>	<u>6,997,408</u>
Support services:					
Student services	276,580	-	-	-	276,580
Instructional staff services	554,673	-	-	-	554,673
Administration services	840,642	-	-	-	840,642
Operation and maintenance of plant services	790,701	-	-	117,419	908,120
Transportation services	<u>370,768</u>	<u>-</u>	<u>-</u>	<u>101,854</u>	<u>472,622</u>
	<u>2,833,364</u>	<u>-</u>	<u>-</u>	<u>219,273</u>	<u>3,052,637</u>
Other expenditures:					
Long-term debt:					
Principal	-	420,876	-	-	420,876
Interest	-	488,742	-	-	488,742
Facilities acquisition and construction	-	-	5,648,417	126,001	5,774,418
AEA flowthrough	<u>366,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,219</u>
	<u>366,219</u>	<u>909,618</u>	<u>5,648,417</u>	<u>126,001</u>	<u>7,050,255</u>
Total expenditures	<u>9,838,675</u>	<u>909,618</u>	<u>5,648,417</u>	<u>703,590</u>	<u>17,100,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(329,739)</u>	<u>(324,302)</u>	<u>(4,818,252)</u>	<u>28,666</u>	<u>(5,443,627)</u>

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2006

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Operating transfers in	-	329,425	-	-	329,425
Operating transfers out	-	-	(192,375)	(137,050)	(329,425)
	-	329,425	(192,375)	(137,050)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(329,739)	5,123	(5,010,627)	(108,384)	(5,443,627)
Fund balances beginning of year	101,373	-	8,588,146	175,087	8,864,606
Fund balances end of year	(228,366)	5,123	3,577,519	66,703	3,420,979

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2006

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (5,443,627)

**Amounts reported for governmental activities in the statement of  
activities are different because:**

Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. (292)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$6,120,492	
Depreciation expense	<u>(188,660)</u>	5,931,832

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 495

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current year issues exceed repayments, as follows:

Issued	-	
Repaid	<u>420,876</u>	420,876

Remaining basis on disposed fixed assets (104,668)

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures. (157,643)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement additions	(41,848)	
Early retirement payments	<u>37,225</u>	<u>(4,623)</u>

**Change in net assets of governmental activities (Exhibit B)** \$ 642,350

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

Year ended June 30, 2006

	Business Type	Governmental Activities
	School Nutrition	Internal Service
	\$	
<b>Assets</b>		
Cash and pooled investments	132,245	12,623
Inventories	7,532	-
Capital assets, net of accumulated depreciation	30,253	-
<b>Total assets</b>	<u>170,030</u>	<u>12,623</u>
<b>Liabilities</b>		
Accrued salary and benefits	-	170,266
<b>Total liabilities</b>	<u>-</u>	<u>170,266</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	30,253	-
Unrestricted	<u>139,777</u>	<u>(157,643)</u>
<b>Total net assets</b>	<u>170,030</u>	<u>(157,643)</u>

See notes to financial statements.



## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2006

	Business Type School Nutrition \$	Governmental Activities Internal Service \$
Operating revenue:		
Local sources:		
Charges for services	<u>194,667</u>	<u>1,122,354</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	145,378	-
Benefits	23,983	-
Supplies	245,316	-
Depreciation	<u>3,588</u>	<u>-</u>
	<u>418,265</u>	<u>-</u>
Internal service programs:		
Benefits	<u>-</u>	<u>1,279,997</u>
Total operating expenses	<u>418,265</u>	<u>1,279,997</u>
Operating profit (loss)	<u>(223,598)</u>	<u>(157,643)</u>
Non-operating revenues:		
Local sources	1,782	-
State sources	7,084	-
Federal sources	<u>254,559</u>	<u>-</u>
	<u>263,425</u>	<u>-</u>
Net change in assets	39,827	(157,643)
Net assets beginning of year	<u>130,203</u>	<u>-</u>
Net assets end of year	<u><u>170,030</u></u>	<u><u>(157,643)</u></u>

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2006

	Enterprise	Internal
	School	Health
	Nutrition	Insurance
	\$	\$
Cash flows from operating activities:		
Cash received from sale of services	194,667	1,122,354
Cash payments to employees for services	(169,661)	(1,109,731)
Cash payments to suppliers for goods or services	(206,236)	-
Net cash provided by (used in) operating activities	(181,230)	12,623
Cash flows from non-capital financing activities:		
State grants received	7,084	-
Federal grants received	222,852	-
Net cash provided by non-capital financing activities	229,936	-
Cash flows from capital financing activities		
Acquisition of capital assets	(17,031)	-
Cash flows from investing activities:		
Interest on investments	1,782	-
Net increase (decrease) in cash and cash equivalents	33,457	12,623
Cash and cash equivalents beginning of year	98,788	-
Cash and cash equivalents end of year	132,245	12,623
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>		
Operating income (loss)	(223,598)	(157,643)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:		
Depreciation	3,588	-
Commodities used	31,707	-
Decrease in inventory	7,073	-
	(181,230)	(157,643)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>		
Current assets:		
Cash	132,245	12,623

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2006, the District received federal commodities valued at \$31,707. See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trusts	Agency Funds
	\$	\$
<b>Assets</b>		
Cash and pooled investments	280,220	301
<b>Liabilities</b>		
Other payables	-	301
<b>Net Assets</b>		
Reserved for special purposes	280,220	-

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose <u>Trusts</u> \$
Additions:	
Local sources:	
Contributions	357
Interest on investments	<u>6,712</u>
Total additions	<u>7,069</u>
Deductions:	
Instruction:	
Other	<u>4,750</u>
Total deductions	<u>4,750</u>
Change in net assets	2,319
Net assets beginning of year	<u>277,901</u>
Net assets end of year	<u>280,220</u>

See notes to financial statements.

# HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2006

### (1) Summary of Significant Accounting Policies

Hampton-Dumont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Hampton and Dumont, Iowa, and agricultural territory in Franklin and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Hampton-Dumont Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Hampton-Dumont Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin and Butler Counties Assessor's Conference Boards.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2006.



Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures exceeded the amounts budgeted in the instruction and support services functions.

## (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$3,022,800</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa School Joint Investment Trust were both rated Aaa by Moody's Investors Service.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Beginning of Year	Increases	Decreases	End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	<u>96,300</u>	<u>112,500</u>	<u>-</u>	<u>208,800</u>
Capital assets being depreciated:				
Buildings	6,147,213	-	60,000	6,087,213
Furniture and Equipment	1,258,526	149,026	181,921	1,225,631
Construction in progress	<u>-</u>	<u>5,858,966</u>	<u>-</u>	<u>5,858,966</u>
Total capital assets being depreciated	<u>7,405,739</u>	<u>6,007,992</u>	<u>241,921</u>	<u>13,171,810</u>
Less accumulated depreciation for:				
Buildings	2,090,049	114,750	60,000	2,144,799
Furniture and Equipment	<u>791,384</u>	<u>73,910</u>	<u>77,253</u>	<u>788,041</u>
Total accumulated depreciation	<u>2,881,433</u>	<u>188,660</u>	<u>137,253</u>	<u>2,932,840</u>
Total capital assets being depreciated, net	<u>4,524,306</u>	<u>5,819,332</u>	<u>104,668</u>	<u>10,238,970</u>
Governmental activities, capital assets, net	<u>4,620,606</u>	<u>5,931,832</u>	<u>104,668</u>	<u>10,447,770</u>
<b>Business type activities:</b>				
Furniture and equipment	42,701	17,031	-	59,732
Less accumulated depreciation	<u>25,891</u>	<u>3,588</u>	<u>-</u>	<u>29,479</u>
Business type activities capital assets, net	<u>16,810</u>	<u>13,443</u>	<u>-</u>	<u>30,253</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				61,265
Unallocated				<u>127,395</u>
				<u>188,660</u>
Business Type activities:				
Food service operations				<u>3,588</u>

### (4) Contract Payable

During the fiscal year ended June 30, 1997, the District purchased a parcel of land, on a 7% contract. Payment terms are as follows;

Year Ending June 30,	Principal	Interest	Total
2007	\$ <u>891</u>	<u>62</u>	<u>953</u>

**(5) Capital Loan Notes Payable**

During the year ended June 30, 1998, the District issued \$1,075,000 of Capital Loan Notes. The payments will be made from the proceeds of the Special Revenue, Physical Plant and Equipment Fund. Payment terms are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	<u>\$130,000</u>	<u>6,175</u>	<u>136,175</u>

**(6) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	<u>General Obligation Bond</u>	<u>Revenue Bonds</u>	<u>Contract Payable</u>	<u>Capital Loan Notes Payable</u>	<u>Early Retirement Payable</u>	<u>Total</u>
Balance beginning of year	\$7,950,000	2,050,000	1,767	255,000	53,383	10,310,150
Additions	-	-	-	-	41,848	41,848
Reductions	<u>165,000</u>	<u>130,000</u>	<u>876</u>	<u>125,000</u>	<u>37,225</u>	<u>458,101</u>
Balance end of year	<u>\$7,785,000</u>	<u>1,920,000</u>	<u>891</u>	<u>130,000</u>	<u>58,006</u>	<u>9,893,897</u>

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$342,102, \$328,162, and \$331,084 respectively, equal to the required contributions for each year.

**(8) Risk Management**

Hampton-Dumont Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is currently self-funding its health care plan. Commercial insurance has been purchased to cover excess losses both for specific individuals and as an aggregate group. An independent actuarial opinion obtained by the District indicates that technically statutory requirements have not been met. Taking into account the reserve for incurred but unpaid claims, the fund has a deficit of \$98,639. It was recommended that the District increase the funding level and/or transfer funds in order to eliminate the deficit and remain in compliance with Iowa law.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$366,219 for year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Early Retirement Payable**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which must be approved by the Board of Education. The early retirement incentive for each eligible employee is based on a sliding percentage of per diem pay rate at time of retirement. Early retirement benefits paid during the year ended June 30, 2006, totaled \$37,225. A long-term liability has been recorded on the Balance Sheet (Exhibit A) representing the District's commitment to fund early retirement.

**(11) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2005-06A	6/30/05	6/30/06	\$ -	-	-	-
2005-06B	1/26/06	1/26/07	1,341,666	26,339	1,337,000	33,899
2006-07A	6/28/06	6/28/07	1,558,830	485	1,561,000	12,264
Total			<u>\$2,900,496</u>	<u>26,824</u>	<u>2,898,000</u>	<u>46,163</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2005-06A	-	1,200,000	1,200,000	-
2005-06B	-	500,000	500,000	-
	<u>\$ -</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>-</u>

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

**(12) Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$192,375
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>137,050</u>
Total		<u>\$329,425</u>

**(13) Commitments**

The voters of the District approved a \$7,950,000 bond issue for the purpose of constructing a new middle school facility.

The following are as of June 30, 2006:

Total contract approved	\$8,163,463
Total completed	5,858,966
Total paid	5,104,951
Retainage payable	271,364
Currently payable	482,651
To be completed	2,304,497

The District also approved the purchase of a synergistics lab for \$96,986 to be delivered after June 30, 2006.

**(14) Financial Condition**

The Physical Plant and Equipment Levy had a deficit fund balance of \$27,667 at June 30, 2006.

## Required Supplementary Information

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	5,666,743	196,449	5,863,192	5,390,762	5,390,762	472,430
State sources	5,450,579	7,084	5,457,663	5,515,025	5,515,025	(57,362)
Federal sources	539,351	254,559	793,910	400,000	400,000	393,910
Total revenues	<u>11,656,673</u>	<u>458,092</u>	<u>12,114,765</u>	<u>11,305,787</u>	<u>11,305,787</u>	<u>808,978</u>
Expenditures						
Instruction	6,997,408	-	6,997,408	6,424,000	6,424,000	(573,408)
Support services	3,052,637	-	3,052,637	2,800,000	2,800,000	(252,637)
Non-instructional programs	-	418,265	418,265	490,029	490,029	71,764
Other expenditures	7,050,255	-	7,050,255	9,399,578	9,399,578	2,349,323
Total expenditures	<u>17,100,300</u>	<u>418,265</u>	<u>17,518,565</u>	<u>19,113,607</u>	<u>19,113,607</u>	<u>1,595,042</u>
Excess (deficiency) of revenues over (under) expenditures	(5,443,627)	39,827	(5,403,800)	(7,807,820)	(7,807,820)	2,404,020
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,800</u>	<u>10,800</u>	<u>(10,800)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,443,627)	39,827	(5,403,800)	(7,797,020)	(7,797,020)	2,393,220
Balance beginning of year	<u>8,864,606</u>	<u>130,203</u>	<u>8,994,809</u>	<u>8,565,105</u>	<u>8,565,105</u>	<u>429,704</u>
Balance end of year	<u>3,420,979</u>	<u>170,030</u>	<u>3,591,009</u>	<u>768,085</u>	<u>768,085</u>	<u>2,822,924</u>

See accompanying independent auditor's report.

## **HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

### **Notes to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures exceeded the amounts budgeted in the instruction and support services functions. The District did not exceed the General Fund unspent authorized budget.



## Other Supplementary Information

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Non-major Special Revenue Funds

June 30, 2006

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	48,243	45,655	16	93,914
Property tax receivable:				
Current year	2,390	-	3,478	5,868
Succeeding year	300,000	-	267,668	567,668
Other receivables	-	1,148	-	1,148
<b>Total assets</b>	<u>350,633</u>	<u>46,803</u>	<u>271,162</u>	<u>668,598</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable	-	3,066	31,161	34,227
Deferred revenue:				
Succeeding year property tax	<u>300,000</u>	<u>-</u>	<u>267,668</u>	<u>567,668</u>
Total liabilities	300,000	3,066	298,829	601,895
Fund balance:				
Unreserved fund balance	<u>50,633</u>	<u>43,737</u>	<u>(27,667)</u>	<u>66,703</u>
<b>Total liabilities and fund balances</b>	<u>350,633</u>	<u>46,803</u>	<u>271,162</u>	<u>668,598</u>

See accompanying independent auditor's report.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-major Special Revenue Funds

Year ended June 30, 2006

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	165,144	-	262,347	427,491
Other	7,585	295,630	1,550	304,765
Total revenues	172,729	295,630	263,897	732,256
Expenditures:				
Instruction:	46,368	311,948		358,316
Support services:				
Plant operation and maintenance	117,419	-	-	117,419
Student transportation	-	-	101,854	101,854
Other expenditures:				
Facilities acquisition and construction	-	-	126,001	126,001
Total expenditures	163,787	311,948	227,855	703,590
Excess (deficiency) of revenues over (under) expenditures	8,942	(16,318)	36,042	28,666
Other financing (uses):				
Operating transfers (out)	-	-	(137,050)	(137,050)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	8,942	(16,318)	(101,008)	(108,384)
Fund balances beginning of year	41,691	60,055	73,341	175,087
Balance end of year	50,633	43,737	(27,667)	66,703

See accompanying independent auditor's report.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Key Club	(34)	34	-	-
Art Club	2,414	1,157	20	3,551
Quiz Bowl	241	-	-	241
Video Productions	1,550	50	-	1,600
Cheerleading	1,701	3,000	3,922	779
DECA	1,796	3,171	3,222	1,745
Drama	3,082	422	16	3,488
FBL	119	1,930	1,699	350
FCA	696	-	-	696
FCCLA	577	-	142	435
FFA	8,837	41,200	42,798	7,239
French Club	4,394	-	-	4,394
Future Teachers	998	680	261	1,417
International Club	2	484	399	87
Mock Trial	404	398	1,123	(321)
Model UN	288	-	-	288
SADD	1,706	485	66	2,125
Student Council	1,714	1,985	2,835	864
Drill Team	5,094	5,113	10,076	131
JAG Club	364	1,031	1,412	(17)
Bark	(18)	18	-	-
Dramatics - Plays & Musicals	2,144	213	916	1,441
Music - Instrumental	(5,050)	4,210	2,166	(3,006)
Music - Vocal	(1,359)	474	2,737	(3,622)
Speech	(51)	398	478	(131)
Publications	(3,462)	11,199	12,477	(4,740)
Special Instrumental Fund	10,741	2,291	5,209	7,823
Special Vocal Fund	3,197	525	2,795	927
Special Instrumental - Uniforms	705	-	205	500
Special Vocal - Uniforms	(274)	624	-	350
Class of 2009	-	4,343	377	3,966
Class of 2005	451	-	451	-
Class of 2006	3,345	3,479	4,853	1,971
Class of 2007	4,453	1,039	3,639	1,853
Class of 2008	3,069	8,846	8,930	2,985
Activity Fund Change	-	47,422	47,422	-
Cross Country	(843)	858	-	15
Basketball - Boys	1,692	22,941	22,917	1,716
Football	2,269	20,635	19,230	3,674
Baseball	(3,356)	2,672	6,078	(6,762)
Track - Boys	(556)	2,838	1,826	456
Golf - Boys	(937)	2,075	1,997	(859)
Wrestling	(1,385)	2,991	10,305	(8,699)

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Basketball - Girls	3,473	8,153	9,425	2,201
Volleyball	(2,723)	7,798	8,463	(3,388)
Softball	(3,496)	320	1,408	(4,584)
Track - Girls	1,209	1,823	3,120	(88)
Golf - Girls	(1,029)	713	-	(316)
Activity Tickets	14,370	121,148	114,611	20,907
Student Pay Phone	(318)	-	65	(383)
Miscellaneous Activities	1,365	9,569	8,848	2,086
Student Activity Pop Commission	269	-	269	-
Jazz Band Club	195	75	-	270
June 30, 2005 Accruals	<u>(3,978)</u>	<u>5,560</u>	<u>3,500</u>	<u>(1,918)</u>
	60,055	356,390	372,708	43,737
Less interaccount transfers		<u>(60,760)</u>	<u>(60,760)</u>	
Total	<u>60,055</u>	<u>295,630</u>	<u>311,948</u>	<u>43,737</u>

See accompanying independent auditor's report.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2006

	Bess Robinson Scholarship	Hampton Quarterback Club	Varrelman Memorial Fund	Arndorfer Memorial	Barton Hoxie Robinson Scholarship	Robert Davies Scholarship	Dale Hayes Memorial Golf	Maribel Kratovichil Memorial	Ann J. Robinson Scholarship
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Contributions	-	-	-	-	-	-	-	-	-
Interest on investments	1,290	110	175	57	2,030	87	41	348	411
	<u>1,290</u>	<u>110</u>	<u>175</u>	<u>57</u>	<u>2,030</u>	<u>87</u>	<u>41</u>	<u>348</u>	<u>411</u>
Expenditures:									
Instruction:									
Regular instruction:									
Other	750	-	200	100	750	300	50	300	250
	<u>750</u>	<u>-</u>	<u>200</u>	<u>100</u>	<u>750</u>	<u>300</u>	<u>50</u>	<u>300</u>	<u>250</u>
Excess (deficiency) of revenues over (under) expenditures	540	110	(25)	(43)	1,280	(213)	(9)	48	161
Balance beginning of year	<u>52,014</u>	<u>5,394</u>	<u>4,558</u>	<u>2,689</u>	<u>52,560</u>	<u>6,626</u>	<u>1,782</u>	<u>8,885</u>	<u>13,055</u>
Balance end of year	<u><u>52,554</u></u>	<u><u>5,504</u></u>	<u><u>4,533</u></u>	<u><u>2,646</u></u>	<u><u>53,840</u></u>	<u><u>6,413</u></u>	<u><u>1,773</u></u>	<u><u>8,933</u></u>	<u><u>13,216</u></u>

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2006

	Lucretia V. Rowen Scholarship	Saylor Memorial Business	Dan Voy Memorial Scholarship	Peterson Trust	Captain Roy R. Marken Scholarship	Students in Need	Special Education Needs	Red Ribbon	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Contributions	-	200	-	-	-	-	157	-	357
Interest on investments	341	400	71	404	928	-	19	-	6,712
	<u>341</u>	<u>600</u>	<u>71</u>	<u>404</u>	<u>928</u>	<u>-</u>	<u>176</u>	<u>-</u>	<u>7,069</u>
Expenditures:									
Instruction:									
Regular instruction:									
Other	250	500	100	900	300	-	-	-	4,750
	<u>250</u>	<u>500</u>	<u>100</u>	<u>900</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,750</u>
Excess (deficiency) of revenues over (under) expenditures	91	100	(29)	(496)	628	-	176	-	2,319
Balance beginning of year	<u>10,719</u>	<u>12,132</u>	<u>2,055</u>	<u>30,504</u>	<u>70,726</u>	<u>164</u>	<u>4,002</u>	<u>36</u>	<u>277,901</u>
Balance end of year	<u>10,810</u>	<u>12,232</u>	<u>2,026</u>	<u>30,008</u>	<u>71,354</u>	<u>164</u>	<u>4,178</u>	<u>36</u>	<u>280,220</u>

See accompanying independent auditor's report.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2006	2005	2004	2003
	\$	\$	\$	\$
Local sources:				
Local tax:				
Property tax	4,240,577	3,419,054	3,372,317	3,084,409
Mobile home tax	762	280	511	3,498
Local option sales tax	648,973	643,117	107,143	-
Income surtax	80,417	69,748	67,195	67,480
	<u>4,970,729</u>	<u>4,132,199</u>	<u>3,547,166</u>	<u>3,155,387</u>
State sources:				
State foundation aid	4,658,976	4,465,692	4,164,300	4,194,953
AEA flow through	366,219	350,987	355,601	364,755
Instructional support	14,672	15,451	12,158	15,676
Educational excellence program:				
Phase I	44,186	44,186	54,609	44,186
Phase II	98,792	97,851	100,009	100,774
Phase III	-	-	-	25,236
Non-public transportation aid	-	1,554	-	2,418
At risk program	6,083	16,737	18,450	18,830
Vocational education aid	7,730	-	6,526	9,482
Iowa Early Intervention Block Grant	82,000	76,473	85,320	84,700
Revenue in lieu of taxes - military credit	-	-	1,964	-
Teacher mentoring program	10,400	11,700	6,500	10,400
Evaluator training	-	-	-	1,000
Teacher quality/salary improvement	122,017	103,947	128,543	83,809
Professional development	39,501	-	-	-
Other state aid	-	5,650	-	-
Lunch and breakfast programs	7,084	6,964	7,024	7,130
	<u>5,457,660</u>	<u>5,197,192</u>	<u>4,941,004</u>	<u>4,963,349</u>
Federal sources:				
Title I Grants to Local Educational Agencies	168,770	172,993	124,631	219,861
Safe and Drug Free Schools	8,416	5,721	3,175	-
Improving Teacher Quality - Grants to States	49,814	50,081	-	46,579
Grants for Assessments and Related Activities	7,374	7,542	-	-
Innovative Education Program Strategies	10,389	8,675	-	6,285
Even Start - Statewide Family Literacy Program	-	-	-	2,152
Migrant Education - Basic State Grant Program	-	5,237	15,320	-
Iowa Demonstration Construction Grant	200,000	-	866,471	-
Special Education - Grants to States				
IDEA Part B	94,588	31,176	48,647	30,676
National School Lunch, Breakfast and				
Special Milk Programs	222,852	189,677	169,275	158,679
Food Distribution	31,707	33,259	25,125	35,125
	<u>793,910</u>	<u>504,361</u>	<u>1,252,644</u>	<u>499,357</u>
Total	<u>11,222,299</u>	<u>9,833,752</u>	<u>9,740,814</u>	<u>8,618,093</u>

See accompanying independent auditor's report.



## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY06	<u>31,707</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY06	23,254
Special Milk Program	10.556	FY06	649
National School Lunch Program	10.555	FY06	<u>187,976</u>
			<u>211,879</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	2781-G-06	168,770
Improving Teacher Quality - Grants to States	84.348	FY06	49,814
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY06	8,416
Grants for Assessments and Related Activities	84.369	FY06	7,374
Iowa Demonstration Construction Grant Programs	84.215	FY06	200,000
Area Education Agency 267:			
Special Education - Grants to States (IDEA Part B)	84.027	FY06	<u>94,588</u>
Total			<u>772,548</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Hampton-Dumont Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of Education of the  
Hampton-Dumont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Hampton-Dumont Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 2, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-II-A is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hampton-Dumont Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hampton-Dumont Community School District and other parties to whom Hampton-Dumont Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hampton-Dumont Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

November 2, 2006

**Independent Auditor's Report on Compliance with Requirements**  
**Applicable to Each Major Program and on Internal Control**  
**over Compliance in Accordance with OMB Circular A-133**

To the Board of Education of the  
Hampton-Dumont Community School District:

Compliance

We have audited the compliance of Hampton-Dumont Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Hampton-Dumont Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Hampton-Dumont Community School District's management. Our responsibility is to express an opinion on Hampton-Dumont Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hampton-Dumont Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hampton-Dumont Community School District's compliance with those requirements.

In our opinion Hampton-Dumont Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Hampton-Dumont Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Hampton-Dumont Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item 06-III-A of the accompanying Schedule of Findings and Questions Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item 05-III-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hampton-Dumont Community School District and other parties to whom Hampton-Dumont Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

**BRUCE D. FRINK**  
**Certified Public Accountant**

November 2, 2006

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.215 - Iowa Demonstration Construction Grant ProgramSchool Nutrition Clustered Programs:
  - CFDA Number 10.555 - National School Lunch Program
  - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Hampton-Dumont Community School District did not qualify as a low-risk auditee.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

06-II-A      SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

**Part III: Findings For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

CFDA Number: 84.215 Iowa Demonstration Construction Grant Program

Federal Award Year: 2006

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program

10.555 National School Lunch Program

Federal Award Year: 2006

US Department of Agriculture

Passed through Iowa Department of Education

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Part III: Findings For Federal Awards:**  
**(continued):**

06-III-A Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

06-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.

06-IV-B Certified Budget - Expenditures for the year ended June 30, 2006, exceeded the amount budgeted in the instruction and other expenditures functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

06-IV-C Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

06-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.



HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Part IV: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

06-IV-E Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Teresa Peterson	Building demolition (per bid)	\$96,899
Peterson Backhoe	Ground work	\$ 2,450

The transactions with Ms. Peterson do not appear to represent a conflict of interest since the bided transactions did not exceed the \$2,500 of purchases allowed by the Code of Iowa.

Recommendation - The District should review these transactions annually.

Response - We will review these transactions as recommended.

Conclusion - Response accepted.

06-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

06-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

06-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

06-IV-I Certified Annual Report - The Certified Annual Report was filed late with the Department of Education we noted no significant deficiencies in the amounts reported.

Recommendation - We recommend that future reports be filed in a timely manner.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

06-IV-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

06-IV-K Financial Condition - The District's Physical Plant and Equipment Levy had a deficit balance of \$27,667 at June 30, 2006.

Recommendation - We recommend that the District take steps to bring the fund to a positive fund balance.

Response - We will comply with this recommendation.

Conclusion - Response accepted.